

2.5 seconds.<sup>61</sup> Furthermore, automated alternate billing service has menu and selection time ranging from 2 seconds (for a local exchange carrier calling card) to 20 seconds (for a billed-to-third number call).<sup>62</sup> The transfer of information from the exchange carrier operator service switch to the interexchange carrier operator service switch using conventional multi-frequency signalling would add an additional 6 seconds of holding time, while the same transmission of information with Signalling System 7 (SS7) would add an additional access time of as much as 2 seconds, depending upon the amount of information to be passed and the routing (direct or tandem) between operator service switches.<sup>63</sup> With such an increase in time required to place a call, the public would receive a degradation in service in exchange for the additional charges it will pay to finance a billed party preference system.

Many callers are also likely to experience frustration by the time and effort required to respond to voice prompts when automated alternate billing services are deployed with billed party preference for collect, person-to-person, and third-number billed calls. Furthermore, billed party preference calling card calls still would require the caller to dial a long string of numbers consisting of 0+, the number called and any applicable calling card

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<sup>61</sup> Comments of US West Communications, Inc. Concerning Billed Party Preference at 13 (CC Docket No. 92-77, filed July 7, 1992).

<sup>62</sup> Id.

<sup>63</sup> Id. at 12.

number. In sum, the minor difference in dialing 0+ rather than 10XXX for calling card calls does not warrant the enormous financial expenditures that would be required to install billed party preference at every telephone in this country.

**C. Billed Party Preference Is Unnecessary Because Access Code Dialing is Already Focusing Competitive Efforts on End Users Rather than on Commission Payments to Premises Owners.**

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As a second purported benefit, the Commission professes that billed party preference will force operator service providers to redirect their competitive efforts away from aggregators and toward end users.<sup>64</sup> It also concluded that "BPP would almost certainly eliminate 0+ commissions and thus significantly reduce OSP costs, thereby offsetting a substantial portion of the costs of BPP itself."<sup>65</sup>

The dialing of 10XXX, 800 and 950 access codes and 0- operator transfer services has already redirected the competitive efforts of operator service providers towards providing better services and lower prices to end users while shifting the focus of operator service providers away from the payment of higher commissions to premises owners. As the Commission reported to Congress, the partial implementation of TOCSIA has already proven effective in providing consumers at over 90% of telephones the opportunity to reach their carrier of choice through access codes and thereby

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<sup>64</sup> Further Notice of Proposed Rulemaking, slip op. ¶ 12.

<sup>65</sup> Id.

avoid the high rates charged by some operator service providers.<sup>66</sup> As consumers become more comfortable with access code dialing, particularly after all 10XXX access codes are unblocked in 1997, interexchange carriers will have less incentive to pay commissions to become the presubscribed operator service provider. To accelerate this shift in focus at less than 10% of telephones, the Commission should, as contemplated by TOCSIA, adopt a ceiling for operator service rates and aggregator commissions.

Billed party preference will increase prices for operator services. INS estimates that implementing billed party preference will cost it alone approximately \$500,000 annually. To recover this additional cost, INS would be required to bill operator service providers additional access charges of approximately \$.25 to \$.30 per operator handled message. Separate access charges would also be billed by the 128 local exchange carriers connected to INS' network to recover their individual costs of implementing billed party preference.

Operator service providers would likely bill lower rates for access code calls than for calls using billed party preference to reflect this cost differential. The Commission's belief that many consumers are willing to pay a few cents more per call for services subject to billed party preference is based on the false assumption that this cost differential will be only \$.15 per call.<sup>67</sup> Consumers, now familiar with dialing access codes, can be expected

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<sup>66</sup> Id. at n.5.

<sup>67</sup> Id. ¶ 58.

to continue to dial access codes to avoid paying the significant additional costs associated with billed party preference.

**D. The Consequences of Billed Party Preference are Anti-Competitive.**

The third primary benefit that the Commission associates with billed party preference is that it would enable at least some of AT&T's competitors to compete more effectively for customers who would prefer not to use access codes.<sup>68</sup> The Commission has not attempted to quantify this alleged benefit.<sup>69</sup> Such speculation should be given little weight.<sup>70</sup>

Billed party preference would help AT&T preserve its market share of operator services traffic. Consumers are likely to select their 1+ carrier as their operator service provider. Since AT&T controls, by far, the largest share of the market for 1+ services, billed party preference would ensure that it also maintains the largest share of the market for operator services. Small operator service providers will have difficulty competing in a billed party preference environment with AT&T. As the Commission recognized, "those OSPs that did not offer 1+ service would be at a disadvantage."<sup>71</sup>

Billed party preference will also help AT&T protect its market share of calling card traffic. Thirty-five percent of all calling

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<sup>68</sup> Id. ¶ 9.

<sup>69</sup> Id.

<sup>70</sup> California v. FCC, 905 F.2d at 1235.

<sup>71</sup> Further Notice of Proposed Rulemaking, slip op. ¶ 32.

card calls are made with an AT&T calling card.<sup>72</sup> Since billed party preference would automatically route all calls billed to AT&T's calling card to AT&T, it would ensure that AT&T's 35% market share for calling card calls is protected from competition.

Billed party preference would also impair competition in the local service market.<sup>73</sup> Billed party preference would create a bottleneck controlled by the largest local exchange carriers through which all 0+ interLATA calls would have to be routed. Billed party preference would actually reduce competition by eliminating the number of carriers capable of performing their own carrier identification, billing and validation services. Billed party preference would force other carriers to subscribe to the billing and recording services of the larger local exchange carriers to avoid the use of 2 operators or queries with the attendant delay. Furthermore, other carriers would be limited to providing those operator and billing services the large local exchange carriers want to provide.

By contrast, promoting the use of 10XXX, 950 or 800 access codes will stimulate competition in the provision of operator services. Access codes give every interexchange carrier the same opportunity to offer operator services to interested customers, regardless of the size of their 1+ or calling card customer base or the amount of commissions they can pay to aggregators. Access codes eliminate the competitive advantage that a presubscription

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<sup>72</sup> Id. at n.28.

<sup>73</sup> Id. ¶ 35.

system, such as billed party preference, gives to the interexchange carrier with the largest number of customers.

**VI. Free Market Forces Provide the Most Efficient Cost/Benefit Test for Billed Party Preference**

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The Commission stated that its policy is to attribute costs to costs causers.<sup>74</sup> As the telecommunications industry becomes increasingly competitive, it becomes more imperative that the cost causer pays the costs that are created by their request for service. Billed party preference does not justify a change in this Commission policy.

Rather than mandate billed party preference by government decree, the Commission should permit the market to decide where billed party preference is economical to deploy. AT&T, the Competitive Telecommunications Association and 21 third-tier interexchange carriers filed comments on July 7, 1992 indicating no interest in billed party preference. Charges for billed party preference should be clearly identified in Part 69 of the Commission's rules as an optional access service rate element. Those companies that believe consumers will want billed party preference, despite its additional costs and access time, can voluntarily implement such a system and receive revenue from interexchange carriers that agree to subscribe to the new service. If an interexchange carrier truly wants a billed party preference system in a small rural exchange, it should be willing to negotiate and pay for such an expenditure.

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<sup>74</sup> Id. ¶ 58.

The customers not wishing to dial around higher priced operator service providers should pay the costs incurred to provide billed party preference. Those customers are the cost causers of billed party preference. Customers that dial access codes are not the cost causers; they do not need billed party preference facilities to complete their calls.

If callers dial around 0+ to avoid the costs of billed party preference, then this would indicate that consumers do not value the benefits of billed party preference more than its cost. This would be a true cost/benefit test of the value customers place on billed party preference. If the public prefers 10XXX, then saddling all consumers with the enormous costs of deploying billed party preference would do violence to the public interest.

Mandating that all consumers bear the costs of billed party preference, even those that do not use it, would undermine efforts to achieve universal service and delay the introduction of valuable new services in small towns and rural areas. Arbitrarily loading the costs of billed party preference on all customers would increase the monthly costs of merely having a telephone in your home. This would impair the lifeline of universal local telephone service and make valuable new services less affordable and accessible.

## **VII. Conclusion**

INS has built an advanced broadband network infrastructure that connects hundreds of small towns and rural areas of Iowa. It is committed to making intelligent network features and valuable

new services available to rural subscribers. However, billed party preference is no longer necessary and would, in fact, increase the time that it would take to place a call, confuse customers, and prove expensive, redundant and anti-competitive. INS agrees with Commissioner Quello that billed party preference would waste scarce resources that INS and rural telephone companies need to upgrade their networks to provide real benefits to society.

In enacting TOCSIA, Congress directed the Commission to establish ceilings on the rates charged by operator service providers and to limit the amount of commissions or other compensation given to aggregators by operator service providers. By exercising these statutory responsibilities, the Commission will achieve the benefits discussed in its Further Notice of Proposed Rulemaking.

The benefits of billed party preference are overstated by the Commission and do not justify its enormous costs. Billed party preference will increase, rather than eliminate, customer confusion. Furthermore, it is unnecessary because access code dialing is already focusing competitive efforts on end users rather than on commission payments to premises owners. Billed party preference would help AT&T preserve its market share of operator services traffic rather than create more effective competition for AT&T.

Therefore, Iowa Network Services, Inc. respectfully urges the Commission to not mandate a billed party preference system. The dialing of access codes is easier for callers and provides a



uniform dialing pattern that is unavailable with billed party preference and without its costs. The free market is the most efficient test to determine whether billed party preference can be provided economically in small towns and rural communities, despite its high costs and the limited demand expressed by interexchange carriers in this proceeding.

WHEREFORE, Iowa Network Services, Inc. respectfully requests that the Commission not mandate billed party preference.

Respectfully submitted,

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August 1, 1994

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**CERTIFICATE OF SERVICE**

I, James U. Troup, do hereby certify that I have this 1st day of August, 1994, caused to be hand delivered the original and nine copies of the foregoing to the Office of the Secretary, Federal Communications Commission, Room 222, 1919 M Street, N.W., Washington, D.C. I further certify that I have caused the foregoing to be served on the parties on the attached service list by hand delivery or by first-class mail, postage prepaid.

  
James U. Troup

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